

Message Text

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21

ACTION NEA-12

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 DODE-00 PM-07 H-03 L-03 PA-04 PRS-01 USIA-15

AGR-20 DRC-01 /180 W

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R 200815Z APR 74

FM AMCONSUL LAHORE

TO SECSTATE WASHDC 9971

INFO AMEMBASSY ISLAMABAD

AMCONSUL KARACHI

AMCONSUL PESHAWAR

UNCLAS SECTION 1 OF 2 LAHORE 0595

E.O. 11652: N/A

TAGS: ECON, PK

SUBJECT: GOP VIEW OF PAKISTAN ECONOMY

SUMMARY

TOP GOP ECONOMISTS HELD PRESS CONFERENCE IN LAHORE APRIL 19 AND ANNOUNCED BECAUSE OF "SPECTACULAR RECOVERY" OF ECONOMY DURING PAST YEAR, GOP WOULD AVOID DEFICIT FINANCING, MAINTAIN AGRICULTURAL PRICES AND ACHIEVE SELFSUFFICIENCY IN SUGAR AND MEET 1974 WHEAT PRODUCTUON TARGET. THEY ALSO ANNOUNCED INCREASE IN FEDERAL REVENUES, INCRESE IN NATIONAL DEVELOPMENT BUDGET AND LARGE EXPENDITURES TO FIGHT SALINITY PROBLEM.
END SUMMARY

1. ON APRIL 19, FOLLOWING 3- DAY DISCUSSION IN LAHORE ON STATE OF ECONOMY, PRESIDED OVER BY PRIME MINISTER BHUTTO, THREE TOP ECONOMISTS HELD PRESS CONFERENCE. THEY ASSERTED THAT NATIONAL ECONOMY HAD MADE" SPECTACULAR RECOVERY" DURING THE
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PAST YEAR, WHICH WOULD ENABLE GOP TO AVOID DEFICIT FINANCING,

HOLD PRICES AND "ACHIEVE SELF-SUFFICIENCY IN WHEAT PRODUCTION." THEY ANNOUNCED THAT DECISION TAKEN DURING 3-DAY MEETING WERE DESIGNED TO ARREST PRICE HIKES AND BOOST AGRICULTURAL AND INDUSTRIAL PRODUCTION AND EXPORTS. THEY CLAIMED GOP HAD SEALED BORDERS TO PREVENT SMUGGLING OF WHEAT OUTSIDE THE COUNTRY. THEY REVEALED THAT GOP HAD DECIDED TO MAINTAIN FLOOR PRICE OF WHEAT AT RS.25.50 AND HAD DECIDED TO MAINTAIN PRESENT FERTILIZER PRICES.

2. FEROZE QAISER, SPECIAL ASSISTANT FOR ECONOMIC AFFAIRS TO PRIME MINISTER, TOLD JOURNALISTS THAT, WHILE "TAKE-OFF STAGE" HAD NOT YET ARRIVED, PAKISTAN ECONOMY WAS MOVING FORWARD AND HE EXPECTED OVER-ALL GROWTH RATE FOR CURRENT YEAR TO BE 6.4 PERCENT DESPITE LAST YEAR'S FLOODS. HE HOPED EVERY SECTOR OF ECONOMY WOULD ACHIEVE INCREASED PRODUCTION IN COMING YEAR AND NOTED THAT FERTILIZER CONSUMPTION HAD RISEN IN PAST YEAR BY 25 PERCENT, INDICATING "IMPRESSIVE PROGRESS" IN AGRICULTURAL SECTOR. HE SAID PAKISTAN SHOULD ACHIEVE "SELF-SUFFICIENCY" IN SUGAR CANE AND MEET 8.5 MILLION TON WHEAT PRODUCTION TARGET. WHILE COTTON AND RICE MIGHT NOT REACH TARGET LEVELS, PRODUCTION OF 3.7 MILLION TONS OF COTTON AND 2.4 MILLION TONS OF RICE WAS EXPECTED. HE POINTED OUT THAT EXPORT PERFORMANCE IN PAST YEAR HAD BEEN MOST IMPRESSIVE, WITH EARNINGS INCREASING FROM RS.5 BILLION IN 1971-72 TO RS.8 BILLION. WHILE TARGET FOR CURRENT YEAR (RS.10 BILLION) MIGHT NOT BE REACHED, HE EXPECTED MINIMUM OF RS. 9 BILLION IN EXPORT EARNINGS. QAISER SAID THAT DESPITE FACT THAT PAKISTAN WAS A POOR COUNTRY AND PETROLEUM PRICES HAD ADVERSELY EFFECTED TEMPO OF DEVELOPMENT, GOP MUST FIND FUNDS TO FINANCE IMPORTS AMOUNTING TO 4 TIMES PREVIOUS RATE. TO ACHIEVE THIS, HE SAID PAKISTAN WOULD CONTINUE LARGE SCALE EXPORTS, WHICH COULD ONLY COME ABOUT THROUGH INCREASE IN PRODUCTION. ALTHOUGH PRICES HAD GONE UP BY 22 PERCENT IN PAST YEAR, HE BELIEVED THAT THEY HAD DECLINED APPRECIABLY DURING PAST THREE MONTHS, AND GOVERNMENT HAD DECIDED TO MAINTAIN CURRENT PRICES. HE BELIEVED THAT GOP WOULD BE ABLE TO BALANCE ITS BUDGET IN CURRENT YEAR.

3. SPECIAL ASSISTANT TO PRIME MINISTER FOR AGRICULTURE MALIK KHUDA BUKSH BUCHA, TOLD JOURNALISTS THAT PAKISTAN NO LONGER NEEDED TO IMPORT WHEAT IF PROCUREMENT TARGET OF CURRENT YEAR

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OF 2.2 MILLION TONS WERE ATTAINED, WHICH HE BELIEVED " MORE THAN LIKELY". HE DECLARED THAT FARMERS WOULD BE PAID IN CASH AND THAT BORDERS WERE BEING SEALED SO THAT " NOT EVEN A GRAIN" COULD BE SMUGGLED OUT OF COUNTRY. HE PREDICTED THAT COTTON PRODUCTION WOULD BE 4.5 MILLION BALES THIS YEAR, "IF NOT 5.5 MILLION BALES." HE CALLED UPON COTTON AND RICE FARMERS TO DO THEIR BEST TO ACHIEVE TARGET, SO THAT THESE MAJOR EXPORT EARNERS WOULD PROVIDE SUFFICIENT FOREIGN EXCHANGE. HE ASSERTED

THAT GOVERNMENT WAS TAKING VARIETY OF MEASURES TO PREVENT WATER LOGGING AND SALINITY AND TO INCREASE AND PRESERVE NATION S FOREST WEALTH. HE SAID GOVERNMENT HAD ALLOCATED RS. 5 BILLION FOR SALINITY CONTROL.

4. GOP SECRETARY GENERAL FOR FINANCE, A.G.N. KAZI ASSERTED THAT GOVERNMENT HAD NOT RESORTED TO DEFICIT FINANCING DURING CURRENT FISCAL YEAR IN SPIKE OF SET BACK CAUSED BY 1973 FLOODS. HE CLAIMED GOP REVENUES HAD INCREASED BY RS. 1.72 MILLION TO RS.11.65 BILLION WHICH HAD ENABLED GOP TO INCREASE

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INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

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R 200815Z APR 74

FM AMCONSUL LAHORE

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DEVELOPMENT BUDGET BY RS. 300 MILLION TO RS. 5.87 BILLION. HE NOTED THAT GOVERNMENT WAS PAYING RS. 1.8 BILLION SUBSIDIES ON WHAT AND EDIBLE OILS, AND SAID THAT BECAUSE OF COUNTRY S SATISFACTORY POSITION, GOP HAD ALLOWED RS.2.3 BILLION IN CREDITS TO PRIVATE SECTOR, 14 PERCENT MORE THAN WAS MADE AVAILABLE LAST YEAR. HE MAINTAINED THAT GOVERNMENT "WOULD NOT LET THE PRIVATE SECTOR STARVE."

5. FOLLOWING ADDITIONAL INFORMATION WAS PROVIDED BY THREE ECONOMISTS TO PRESS:
CURRENT YEAR WOULD SEE RECORD SUGAR OUTPUT OF 600,000 TONS
VANASPATI PRODUCTION WOULD BE AT RATE OF 20,000 TONS PER MONTH,
GOP HAD DISCUSSED ECONOMIC SITUATION IN DETAIL AND AFTER
CONSIDERING TWO POSSIBLE COURSES OF ACTION -- PERIODIC WAGE-
PRICE ADJUSTMENT OR ESTABLISHED PRICES-- HAD DECIDED TO "VIGOROUSLY PURSUE" STABILIZED PRICES, CONFERENCE HAD PREPARED SCHEDULE OF INTER-PROVINCIAL COMMODITY BALANCES, WHICH SHOULD PROVIDE BETTER CORRELATION BETWEEN SUPPLY AND DEMAND OF COMMODITIES.
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6. FOLLOWING PRESS CONFERENCE BY THREE ECONOMISTS, PRIME MINISTER BHUTTO HELD ANOTHER PRESS CONFERENCE IN WHICH HE DECLARED THAT THERE WOULD BE NO FURTHER NATIONALIZATION OF INDUSTRIES. ASKED WHETHER DECISION INCLUDED NATIONALIZATION OF LANDS, PRIME MINISTER BHUTTO SAID CURRENT POLICY WAS TO "CONSOLIDATE AND REFORM WHAT HAD ALREADY BEEN UNDERTAKEN IN THAT SPHERE." HE EXPRESSED CONCERN OVER SHARPLY RISING PRICES, AND NOTED THAT PAKISTAN WAS SERIOUSLY AFFECTED BY GLOBAL ENERGY CRISIS, BUT WAS NONETHELESS IN BETTER POSITION THAN MANY OTHER COUNTRIES, ESPECIALLY PAKISTAN'S NEIGHBORS. HE SAID GOP HAD ENTERED INTO SERIES OF BILATERAL TALKS WITH OTHER COUNTRIES IN ORDER TO OFFSET WORLD-WIDE INFLATION. HE HOPED UNEMPLOYMENT PROBLEMS WOULD BE SOLVED WITH "SPURT OF INDUSTRIAL ACTIVITY."

7. COMMENT: PUBLIC REACTION IN LAHORE TO THESE ANNOUNCEMENTS WAS ONE OF DEJA VU, ALTHOUGH MANY OBSERVERS AGREED WITH AGRICULTURAL STATISTICS PROVIDED BY ECONOMISTS. HOWEVER, LOCAL FARMERS DOUBTED THAT WHEAT PRODUCTION WOULD REACH LEVEL PREDICTED AND ARGUED THAT MAINTENANCE OF CURRENT PRICES WOULD DISCOURAGE PRODUCTION. EMBASSY ISLAMABAD MAY WISH TO PROVIDE FURTHER COMMENT.
GRIFFIN

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